

7.15.00.00 - AIRSPACE ESTIMATES, BID LEASE VALUATIONS AND APPRAISALS

7.15.01.00 General

Airspace appraisers should familiarize themselves with the Airspace Chapter and the Standard Airspace Development Lease to better understand the procedures and terms used by the Department.

Estimates, valuations and appraisals of airspace parcels will be made at the written request of the District/Region Airspace Branch. A copy of the written request will accompany the estimate or appraisal. Requests will provide necessary maps, plans and profiles of the freeway, the airspace parcel numbers and any available information pertinent to the valuation. The property (rights) to be appraised and any special conditions that would affect value must be defined.

The appraiser should include any collateral data useful in marketing the area to be leased. Whenever possible, the appraiser and the airspace agent will discuss the site prior to the start of the appraisal. There must be effective coordination between the Airspace Branch and Appraisal Branch as well as a mutual understanding of the functioning of each others' Branches. If special restrictions have a significant effect on value, the necessity for the restrictions should be reviewed and discussed between the appraiser and the seniors of the Appraisal and Airspace Branches.

The Airspace Branch will furnish, on an annual basis, by June 1 the projected airspace appraisals needed for the next fiscal year. This list will identify the lease areas to be appraised and the dates by which the appraisals are needed. It will form the priority basis for preparation of airspace appraisals. If the Airspace Branch must change this schedule, a written request for change and/or an updated schedule is to be furnished to the Appraisal Branch. Updates should be requested well in advance of the need.

The appraiser should consider all legal potential and proposed uses for the parcel. A proposed use should be discussed in the Report even if the appraiser subsequently decides that this use does not represent highest and best use. Each analysis must be thorough and complete so the reader/reviewer is clearly and logically led to the

appraiser's conclusion. Among other questions, the analysis should answer those such as:

- A. Can the subject airspace parcel be legally developed as an independent parcel?
 - 1) Is it physically possible to develop it independently?
 - 2) What can it be used for as an independent parcel?
 - 3) What markets exist for the most profitable anticipated uses?
- B. Can it be joined for use with an adjacent parcel?
 - 1) How are the adjacent parcels developed?
 - 2) Can the airspace parcel be used through joinder?
 - 3) Does it enhance/improve the use of the adjoining property?
- C. The conclusion:
 - 1) Which will yield the highest net return, joinder or use as an independent site?
 - 2) What is the highest and best use and the reasoning leading to this conclusion?

Experienced associate grade appraisers should be assigned the preparation of airspace appraisals because of their specialized nature. The assignment should be for at least three years. District/Region airspace appraisers should meet periodically to exchange data and ideas. The need for such meetings should be expressed to HQ RW Appraisal Branch which will coordinate them. Free interchange of data and ideas between the District/Regions at all times is strongly encouraged.

Each District/Region should routinely transmit material which might be informative or useful to all District/Region Appraisal Branches. This would include, market data indicating the effect of typical

lease areas, impacts of physical or legal encumbrances, and copies of feasibility studies.

7.15.02.00 **Estimates**

Estimates may be requested to provide the Airspace Branch with a figure for preliminary discussions with potential users or for minimum value sites. A regular airspace appraisal can be made in lieu of an estimate if deemed necessary by either the Airspace or Appraisal Branch.

Estimates should be minimum-type valuations similar to letter-type appraisals. Only a minimum amount of comparable data to support the conclusions of value is necessary.

The estimate will consider all factors directly or indirectly affecting the utility of the rights to be leased. Full recognition will be given to any enhancement of real estate values in the area because of the location of the freeway. A statement of highest and best use will be made with supporting data and rationale. The appraiser should consider any possibility of plotting the airspace parcel with a State excess land parcel or a privately owned parcel in the immediate area to determine the highest and best use.

A completed Form RW 7-19 will be accompanied by a vicinity and parcel map.

Airspace estimates will be District/Region approved and it will not be necessary to send copies to Division.

7.15.03.00 **Appraisals - General**

The parcel may have to be appraised based on various uses or premises; for example, as a separate parcel, in conjunction with uses of adjacent or nearby properties, etc. The primary appraisal will be the fair-market value of the parcel based on its highest and best use. Any other requested values based on uses or premises that do not represent the highest and best use of the parcel will be shown separately in the Appraisal Report as alternate appraisals on separate Airspace Parcel Appraisal pages Form RW 7-21 labeled as "Alternate Appraisals". When alternate appraisals are included, the primary appraisal as described above will be labeled "Primary Appraisal".

The appraiser, after deciding on the highest and best use of the parcel and before proceeding with the

appraisal, should consult with the Airspace Branch to advise them of the conclusion. Once the Airspace Branch knows the highest and best use, they may see a need for an alternate appraisal based on some other premise or use.

For example, if the highest and best use is concluded as joinder with the adjacent ownership, the Airspace Branch may also need an alternate valuation as an independent parcel.

By holding these consultations during the initial appraisal process, any need for alternate appraisals can be identified at an early stage so the alternate can initially be done and included in the Appraisal Report.

7.15.03.01 **Format**

The format for airspace appraisals will generally be the same as for acquisition appraisals. However, airspace appraisals use Form RW 7-20 for the Appraisal Title Page and Form RW 7-21 in lieu of the Form RW 7-9. If the appraisal contains more than one parcel, include a summary page listing the parcels and the appraised values.

7.15.03.02 **Standards and Methods**

Regular market value airspace appraisals will be required for any airspace parcel that will be leased on a direct basis without calling for competitive bids, and those situations not meeting the specified criteria for bid lease valuations.

All airspace appraisals shall be performed to meet the same quality standards as used for acquisition appraisal reports with respect to analysis, documentation, market data, and market data analysis. Only one appraisal is required, even for airspace parcels to be directly negotiated.

Methods will be the same as those applied in appraising any right of way acquisition parcel, except that consideration should be given to all of the factors that may limit or enhance its utility because of the existence of the freeway improvement located on or near the parcel. Full recognition will be given to any enhancement of real estate values in the area because of the location of the freeway.

7.15.03.03 **Preparation**

The appraiser must thoroughly discuss and analyze the effect that the freeway improvement has on the use of the parcel, with special emphasis on the restrictions imposed by the following jurisdictions:

- The Department of Transportation
- The State Fire Marshal (standard requirements are on file in the District/Region offices)
- 23 CFR, Section 713.201 through 713.205
- Local planning and building departments
- Any other agencies having controls.

The appraiser should look closely at the location of the freeway structure across the parcel. If the viaduct structure were confined to one side of the parcel, it could have a different effect on the overall use of the parcel than if the structure traversed the center of the parcel only, leaving small strips of open land on each side.

Comparable data directly applicable to the physical condition of the subject may be difficult to find in the market. However, the appraiser must use what market data is available and make the necessary adjustments. The appraiser may use lease data in an income approach for the purpose of estimating the value of the parcel. Lease data from existing airspace leases may be useful if the data meets the normal comparability tests.

There should be a thorough analysis of adjustments with market-data support if possible. The use of dollar or percentage adjustments follows the same requirements as for acquisition appraisals. The appraiser must fully support the conclusion of value the same as is presently required in any appraisal of acquisition parcels.

All airspace appraisals will be reviewed for approval by the Division. Only the primary appraisal based on the highest and best use of the airspace parcel will be approved for lease purposes. Alternate appraisals will be reviewed "as to value only" based on the premise used in the Report. Any subsequent use of the alternate appraisal for lease purposes will require prior administrative authorization by the Division Airspace Development Branch.

An Airspace Appraisal Summary Form RW 7-22 will be prepared and submitted to the Division with each parcel appraisal.

The summary will be given to the Airspace Advisory Committee of the California Transportation Commission for their review. The function of the Committee is to review proposed airspace leases and make recommendations to the Transportation Commission regarding acceptability.

Form RW 7-22 shows the format to be used. For consistency purposes, please adhere to the format shown.

The summary should be brief but long enough to adequately cover the important aspects of the appraisal. Under "Brief Property Description," include a description of the freeway facility that is located on or over the airspace parcel.

7.15.04.00 **Bid Lease Valuations**

An airspace bid lease valuation is used for establishing minimum rental rates for leasing airspace parcels on the basis of competitive bids. They will be approved according to the current delegations.

Each valuation will contain a range of value and will be prepared upon written request from the Airspace Branch.

Range of Value is defined for this purpose as the range of most probable sales price if the rights being valued were to be sold on the open market. The range should be based on the typical low and high prices paid for similar properties in the market adjusted for comparability.

Because the airspace rights so valued will be exposed to the market through the bid process, documentation and support need not be as extensive as in the standard airspace appraisal which estimates fair market value. Nevertheless, at least a reasonable amount of documentation and support must be presented. However, every bid lease valuation will contain a thorough, complete statement and analysis of the highest and best use of the rights under study. This analysis will be as comprehensive and definitive as one required for an airspace market value appraisal.

7.15.05.00 Rental Rate Appraisals

In order to streamline the airspace appraisal process, for those qualifying non-developmental uses on directly negotiated airspace leases, district/regions may use an Airspace Rental Rate Appraisal process in lieu of a regular airspace appraisal report.

The purpose of this airspace appraisal category is to facilitate the appraisal process for numerous non-complex and non-controversial airspace parcels. Appraisals responds directly to a request for a specific use rental rate by the District/Region Airspace Manager. In this specific case, the appraiser is not asked or required to perform an independent highest and best use analysis or resulting land valuation.

Generally, Airspace rental rate appraisals can be used for vacant:

- 1) Landlocked Parcels
- 2) Minimum-sized or oddly-shaped parcels that have little value or utility
- 3) Park-and-ride lots
- 4) Public parks (Marler-Johnson)
- 5) Parcels leased to bona fide public agencies
- 6) Parking and/or storage uses when there are ample comparable rents available.

Rental rate appraisals will not be used for the following:

- 1) If comparable rents are scarce or non-existent and rental value is not easily determined
- 2) If the proposed use is controversial or complex
- 3) If the parcel is to be leased for plottage to an adjoining owner to meet minimum use requirements or intensify the development of such a privately-owned parcel.

Qualifying Rental Rate Appraisals will be District/Region approved in accordance with current Delegations, with a report copy forwarded to HQ RW. Regular full-market value appraisals are still required for all other proposed uses that

will be leased on a direct basis without calling for competitive bids.

The decision to request a full appraisal or Airspace Rental Rate Appraisal is entirely that of the District/Region Airspace Manager.

The District/Region Airspace Manager also assumes exclusive responsibility for specifying the highest and best use/specific use to be assumed by the appraiser, and for providing all proposed rental information for use and reliance by the Appraisal Branch.

The written airspace request for a rental rate appraisal must clearly describe the proposed use, term and renewal options, any special conditions or credits, and any limitations to be placed on the parcel by the Department. The rental rate appraisal will therefore not contain a highest and best use determination, but will rely strictly on the use and parcel data information provided by the District/Region Airspace Manager. However, the District/Region Airspace Manager should consider any input from the Appraisal Branch, including whether comparables are available that provide a good indication of a market rental rate.

The rental rate appraisal will conclude a specific market lease rate as appropriate to the airspace parcel's attributes, limitations and benefits, and its proposed rental use and lease terms. In extenuating circumstances involving marginal market data only, the appraisal may as an exception include a lease rate range as supported by the limited market data.

The rental rate appraisal format will follow regular airspace appraisal standards and methodology. As with any appraisal, the amount of analysis and degree of documentation should be in proportion to the appraisal problem and valuation involved. Since the report will not include the appraiser's independent highest and best use analysis, but rather rely on the use proposed by the Airspace Manager, the appraisal will include the limiting conditions on the new Airspace Parcel Appraisal Form RW 7-21 in conformance with Uniform Standards of Professional Appraisal Practice, S.R.

2-2. The Airspace Advisory Committee does not review Rental Rate Appraisal Reports, and Summary Form R/W 7-22 will not be included in these reports.

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